

PROPOSAL FOR A SECTION 1915(b)(4) Initial Selective Contracting Waiver Program

Waiver Application Form-RENEWAL

(Submitted by the Commonwealth of Kentucky, December 6, 2002)

This streamlined waiver application form, adapted from the Section (b)(1) waiver application by the Dallas Regional Office, is for a State's use in requesting implementation of an initial Section 1915(b)(4) Selective Contracting waiver program.

The State may wish to use this standardized application form to streamline the waiver process and, thus, eliminate unnecessary and cumbersome paperwork requirements. The completion of this request, used in conjunction with State Medicaid Manual instructions at sections 2106-2112, should expedite the State's effort to request a waiver and HCFA's effort to approve the waiver proposal. Where possible, the proposal is in the form of a check-off document. However, the applicant will be required to provide detailed explanations on appendices.

All waiver requests under Section 1915(b) of the Social Security Act (the Act) are subject to the requirements that the State document the cost effectiveness of the project, its effect on recipient access to services, and its projected impact (42 CFR 431.55(b)(2)). This model Section 1915(b)(4) waiver application form will help States provide sufficient documentation for the Secretary to be able to determine whether the statutory and regulatory requirements of Section 1915(b) of the Act have been satisfied.

The HCFA Regional Office will be glad to meet with the State, set up a conference call, or assist the State in any way to complete the application.

I. INTRODUCTION

On Appendix I, please provide a short narrative description, in one page or less, of your program, the background to your program and any other information relating to your request for a Medicaid waiver.

II. GENERAL DESCRIPTION OF THE WAIVER PROGRAM

A. The State of KENTUCKY requests a waiver under the authority of Section 1915(b)(4) of the Social Security Act (the Act). The waiver program will be operated directly by the Medicaid agency.

B. Effective Dates: This waiver is requested for a period of 2 years; effective MARCH 7, 2003 and ending MARCH 2, 2005.

C. The waiver program is called The Human Service Transportation Delivery System (HSTDS).

D. Geographical Areas of the Waiver Program:

The waiver will be implemented in the following areas of the State:

- (1) X Statewide
- (2) Other-than-Statewide (Cities and Counties are Listed on Appendix II.D.(2))

(Note: if the State wishes to alter the waiver area at any time during the waiver period, an official waiver modification must be submitted to HCFA.)

E. State Contact: The State contact person for this waiver is CINDY STOOPS and can be reached by telephone at (502) 564-4923.

F. Statutory Authority: The State's waiver program is authorized under ***Section 1915(b)(4) of the Act*** under which the State restricts the provider from or through whom a recipient can obtain medical care.

G. Relying upon the authority of the above section(s), the State would like a waiver of the following Sections of 1902 of the Act:

- 1. **Section 1902(a)(1)** - Statewideness--This section of the Act requires a Medicaid State plan to be in effect in all political subdivisions of the State. This waiver program is not available throughout the State. (See Appendix II. D.(2))

2. ☐ **Section 1902(a)(10)(B)** - Comparability of Services--This section of the Act requires all services for categorically needy individuals to be equal in amount, duration, and scope. This waiver program includes additional benefits such as case management and health education that will not be available to other Medicaid recipients not enrolled in the waiver program.
3. ☒ **Section 1902(a)(23)** - Freedom of Choice--This section of the Act requires Medicaid State plans to permit all individuals eligible for Medicaid to obtain medical assistance from any qualified provider in the State. Under this program, free choice of providers is restricted. That is, individuals in this waiver are constrained to receive waiver services from selected providers.
4. ☐ **Other Statutes Waived** - In Appendix II.G.4, please list any additional section(s) of the Act the State requests to waive, including an explanation of the request.

H. Recipient Figures: Please indicate the expected number of Medicaid recipients that will be impacted by the waiver: 620,800

I. Waiver Populations: The waiver is limited to the following target groups of recipients. Check all items that apply:

1. ☒ **AFDC** - Aid to Families with Dependent Children.
2. ☒ **AFDC-Related**
3. ☒ **SSI** - Supplemental Security Income and SSI-related.
4. ☒ **Other** - Please describe these other populations on Appendix II. I.4.

J. Excluded Populations: The following recipients are excluded from participation in the waiver:

1. ☐ have Medicare coverage, except for purposes of Medicaid-only services;
2. ☐ have other insurance;

3. ___ are residing in a nursing facility or an Intermediate Care Facility for the Mentally Retarded (ICF/MR);
4. ___ have an eligibility period that is less than 3 months;
5. ___ have an eligibility period that is only retroactive;
6. ___ are eligible as medically needy;
7. ___ are eligible as foster care children;
8. ___ participate in a home and community-based waiver; or
9. ___ have other reasons which may exempt recipients from participating under the waiver program. Please explain those reasons on Appendix II.J.9.

K. *Distance/Travel Times:* On Appendix II. K., please define your access standards for distance/travel times for recipients to receive services.

L. *Independent Assessment:* The State will arrange for an Independent Assessment of the cost-effectiveness of the waiver and its impact on recipient access to care of adequate quality. **This assessment is to be submitted to HCFA 6 months prior to the end of the waiver period.** Entities that may perform the assessment include universities, actuaries, etc. Examples of independent assessments are available upon request. **ON MARCH 26, 2002, CMS ADVISED THAT A INDEPENDENT ASSESSMENT WAS NOT NEEDED.**

M. *Automated Data Processing:* Federal approval of this waiver request does not obviate the need for the State to comply with the Federal automated data processing systems approval requirements described in 42 CFR Part 433, Subpart C; 45 CFR Part 95, Subpart F, and Part 11 of the State Medicaid Manual.

III. *PROGRAM IMPACT:*

In this section, please provide information on (1) affected recipients, (2) services, and (3) waiver providers.

A. Affected Recipients

1. ***Notification Process:*** On Appendix III. A. 1, please explain in detail

the process through which recipients will be notified of the waiver program provisions.

2. ***Recipient's Choice of Providers.*** If more than one provider is selected per geographical area, please address the following points on Appendix III. A. 2: **NA**

- (a) Will recipients be given the choice of selected providers? If so, how will they select a provider, and how will the provider be informed of the recipient's choice?
- (b) How will beneficiaries be counseled in their choice of waiver providers?
- (c) How will the recipient notify the State of provider choice?
- (d) Define the time frames for recipients to choose a waiver provider.
- (e) Will the recipients be auto-assigned to a waiver provider if they do not choose? Yes _____ No _____
 - (i) If so, how many days will they have to choose?
 - (ii) Describe the auto-assignment process and/or algorithm.

3. ***Implementation Process***

- (a) Will implementation occur all at once?

___**X**___ Yes

___ No. please describe on Appendix III. A.3.(a) the time frames for implementation, including time frames for inclusion of current Medicaid recipients.
- (b) Will there be accommodations for special-needs populations such as the disabled, etc.?

___**X**___ Yes. Please explain on Appendix III. A.3.(b).

___ No

4. **Education Materials:** Please include on Appendix III. A.4 all relevant recipient education materials, including the **initial notification letter** from the State. Also, check the items that will be provided to the recipients:

- a. ☒ a **brochure** explaining the program
- b. ☐ if more than one provider is selected per geographical area, a **form** for selection of a provider
- c. ☐ if more than one provider is selected per geographical area, a **list of qualified providers** serving the recipient's geographical area;
- d. ☐ a **new Medicaid card** which includes the provider's name and telephone number or a **sticker** noting the provider's name and telephone number to be attached to the original Medicaid card (please specify which method);
- e. ☒ a **brief presentation and informing materials** to each new recipient describing how to appropriately access services under the waiver program, including the appropriate usage of emergency rooms and family planning services, and how to exercise due process rights; and
- f. ☐ other items (please explain on Appendix III. A. 4.f.):

5. **Languages.** The State has made a concerted effort to determine if and where significant numbers (10% or more) of non-English speaking recipients reside, and has subsequently made the program educational materials available in the native languages of those groups.

B. Services:

1. Description of Services:

Please identify the Medicaid services that will be affected by the selective contracting process:

**NON-EMERGENCY MEDICAL TRANSPORTATION
SERVICES EXCLUDING AMBULANCE
TRANSPORTATION**

If additional space is needed, please create an Appendix III. B. 1.

- 2. Emergency and Family Planning:** In accordance with regulations, freedom of choice of provider in cases of emergency and family planning services will not be restricted.

C. Selection and Availability of Providers

- 1. Selection Criteria:** On Appendix III.C. 1, please describe the provider selection process, including the criteria used to select the providers under the waiver. These include quality and performance standards that the providers must meet. Included is the approximate weight associated with each of the criteria.
- 2. Numbers and Types of Qualifying Providers:** For each of the services covered by the selective contracting waiver, please list on the chart below the numbers of Medicaid providers available to provide services to the waiver population. The chart also compares the number of providers expected under the waiver with what existed prior to the waiver.

For non-institutional services provided by an entity (i.e. versus an independent practitioner), please provide information on Appendix III. C. 2. as to the numbers of actual care givers per entity that will be available to provide the waiver service(s).

SERVICE:

<i>Provider Types</i>	<i>Number of Medicaid Providers Participating Before the Waiver</i>	<i>Number of Medicaid Providers <u>Expected</u> to Participate Under the Waiver</i>
1. TRANSPORTATION	NA-RENEWAL	NA-RENEWAL
2.		
3.		
4.		
5.		
6.		

The Kentucky Transportation Cabinet, Office of Transportation Delivery (OTD), is the sole source provider under a capitation system. The OTD subcontracts with brokers for non-emergency transportation services in all areas of the state who utilize the existing transportation provider base. There is no reduction in available transportation providers in the state and all currently enrolled Medicaid providers are expected to continue participating.

3. Program Requirements. Below is a description of provider qualifications and requirements under the waiver. Providers **must**:

- a. **be Medicaid qualified providers** and agree to comply with all pertinent Medicaid regulations and State plan standards regarding access to care and quality of service and meet general qualifications for enrollment as a Medicaid provider;
- b. **not refuse to provide services** to a waiver participant or otherwise discriminate against a participant solely on the basis of age, sex, race, physical or mental handicap, national origin, or type of illness or condition, except when that illness or condition can be better treated by another provider type; and

c. _____ other qualifications (explain on Appendix III. C. 3. c):

4. **Provider/ Beneficiary Ratio:** Please calculate and list below the expected average provider/beneficiary ratio for each geographical area or county of the program, and then provide a statewide average.

THE HSTDS HAS BEEN IMPLEMENTED ON A STATEWIDE BASIS USING ALL CURRENT TRANSPORTATION PROVIDERS AS SUB-CONTRACTORS. ACCORDINGLY, THERE IS NO CHANGE IN THE PROVIDER TO BENEFICIARY RATIO ON A STATEWIDE BASIS.

Area (City/County/Region)	Provider-to-Beneficiary Ratio	
	Without the Waiver	Under the Waiver
NA		

Statewide Average: (e.g., 1:500, 1:1000)

5. **Change of Provider:** Please answer the following questions regarding beneficiary changes of providers and/or actual care givers: NA

a. *Change of Providers:*

If there is more than one selected provider per geographical area, can the beneficiaries change providers?

_____ No

_____ Yes . Please describe on Appendix III. C. 5. a. the process, reasons, etc.

b. *Change in Actual Care Givers:*

(l) For non-institutional waiver services provided by an entity, can the beneficiaries change their individual caregivers within the selected provider?

____ No

____ Yes. Please describe on Appendix III. C. 5. b. the process, reasons, frequency, etc.

6. Provider's Change of Beneficiary: Please answer the following questions regarding provider changes of beneficiaries: **NA**

- a. If more than one provider is selected per geographical area, can providers request to reassign a beneficiary from their care?

No ____

Yes ____

If yes, **it is important that reasons for reassignment are not discriminatory in any way toward the patient.** In cases of beneficiary change, the reassignment should be agreed upon by the beneficiary as well. The following are acceptable reasons for reassignment. Please check the ones that apply to the States program and explain those that differ:

(1) ____ patient/provider relationship is not mutually acceptable;

(2) ____ patient's condition or illness would be better treated by another provider type; or

(3) ____ Other reasons (explain on Appendix III. C. 6.a):

b. If the reassignment is approved, the State must notify the beneficiary in a direct and timely manner of the desire to remove the beneficiary from his/her caseload, and must keep the participant as a client until another provider is chosen or assigned. Please specify on Appendix III. C. 6.b. if the State's policy differs in any way from those listed above.

7. Reimbursement of Providers: Under this waiver, providers are reimbursed on the following basis:

____ fee-for-service

X capitated

IV. ACCESS TO CARE AND QUALITY OF SERVICES:

A. General: The beneficiary's access to quality medical services must at a minimum not be adversely affected by a 1915(b)(4) waiver program. A waiver must assure an adequate amount of services during reasonable time periods and within reasonable geographic distance from the residences of the individuals enrolled under the waiver. Furthermore, access to emergency services and family planning services must not be restricted.

B. Grievance Process: On Appendix IV. B., please describe the process that will be in place to handle complaints and grievances under the waiver program. Please discuss how this will compare to the regular Medicaid program.
NOTE: Beneficiaries must have available and be informed of a formal appeals process under 42 CFR Part 431, Subpart E which may lead to a Fair Hearing. Please fully describe on Appendix IV. B.

C. Monitoring Access:

1. Service Access Areas: On Appendix IV. C. 1, please explain in detail the State's plans to monitor and improve the following areas of service access:

- a. time and distance
- b. waiting times to obtain services
- c. provider-to-beneficiary ratios
- d. beneficiary knowledge of how to appropriately access waiver services
- e. access to emergency services

2. Procedure for Monitoring: *Beneficiary access to care will be monitored during the waiver period by the State as indicated below. Records will be maintained to identify lack of access trends and for reporting purposes. Check which monitoring activities will be in effect to assure that beneficiary access to care is not substantially impaired. Also, on Appendix IV. C. 2, identify the means the State will employ to intervene to correct problems. If any of the following differ from the State's program, please indicate and explain on Appendix IV. C. 2:*

- a. ____ **An advisory committee** will be designated during the phase-in period to address beneficiary and provider concerns.
- b. X **A Hotline** with an 800 number will be maintained which handles any type of inquiry, complaint, or problem.
- c. X **Periodic comparison** of the numbers of providers available to the Medicaid recipients before and under the waiver will be conducted. The intent of this review is to identify whether the waiver may have reduced access to specific types of providers. Also, for non-institutional services, a periodic comparison will be made of the individual care givers within an entity, where applicable, in order to ensure that the same level of access is maintained throughout the waiver period.
- d. X **Periodic beneficiary surveys** (which will contain questions concerning the beneficiaries' access to all services covered under the waiver) will be mailed to a sample of waiver recipients.
- e. X **Other** (explain on Appendix IV. C. 2. e.)

D. Monitoring Quality of Services: On Appendix IV. D, please explain in detail the State's plans to monitor and assure quality of services under the waiver program. Please describe how will the State monitor the following:

1. **Beneficiaries' reasons for changing providers** in order to detect quality of care problems (not only actual changes, but requests to change specific individual care givers and/or providers); **NA**
2. **Hotline**;
3. **Periodic beneficiary surveys** (which question the quality of services received under the waiver) are mailed to a sample of waiver recipients;
4. **Complaints**, grievance and appeals system;
5. **Other** (explain on Appendix IV.D.5.).

E. Other Quality Monitoring:

1. **Quality of Services** will be further monitored through the mechanisms outlined in Appendix IV. E.1. Quality of services problems identified will result in a desk review or an onsite medical review to resolve the problems.
2. **Periodic reviews:** On Appendix IV. E. 2, please describe what areas will be covered in the State's periodic reviews of claims files and medical audits, including the types of care reviewed and how the problems will be resolved. Please include how often these reviews will take place.
3. **State Intervention:** If a problem is identified regarding access to care and quality of services problems, the State will intervene as noted below (please indicate which of the following the State utilizes:
 - (a) **X** Education and informal mailing
 - (b) **X** Telephone and/or mail inquiries and follow-up
 - (c) **X** Request that the provider respond to identified problems
 - (d) **X** Referral to program staff for further investigation
 - (e) **X** Warning letters
 - (f) _____ Referral to State's medical staff for investigation
 - (g) **X** Corrective action plans and follow-up
 - (h) _____ Change beneficiary's provider
 - (i) _____ Restriction on types of beneficiaries
 - (j) _____ Further limits of the number of assignments
 - (k) _____ Ban on new assignment of beneficiaries
 - (l) _____ Transfer of some or all assignments to a different provider
 - (m) **X** Suspension or termination as a waiver provider
 - (n) _____ Other (explain on Appendix IV. E. 3. n).

V. COST EFFECTIVENESS:

- A. General:** *In order to demonstrate cost effectiveness, a waiver request must show that the cost of the waiver program will not exceed what Medicaid's cost would have been in the absence of the waiver. The cost-effectiveness section provides a methodology to demonstrate that the waiver program will be less costly than what costs would be without the waiver.*

The State should use its Medicaid fee-for-service experience to develop the cost-effectiveness section of the waiver program. When submitting an initial 1915(b)(4) waiver, the State should estimate the cost of providing the waiver services under the waiver and provide a comparison to the projected cost without the waiver. The costs under the waiver may be estimated based on responses to a request for proposals (RFP) from the potential contractors. The amount of the savings may be estimated based on the discount from the State Plan rates represented by the RFP bids. To project the net savings, the State should add any additional costs associated with administering the waiver, to the projected costs of delivering the waiver services under the waiver. This amount should be compared to the costs of delivering the services without the waiver. All cost comparisons should be made separately for each year of the waiver.

- B. Rationale for Expected Cost Savings:** On Appendix V. B., please explain the State's rationale for expected cost reductions under the waiver program. Include all assumptions made regarding changes due to inflation, utilization rates, State Plan payment rates, and other factors.

- C. Format for Showing Savings Summary**
(Include supporting documentation, i.e., charts, spreadsheets, in Appendices V.C.)

- 1. The following schedule shows the calculation of the State's program benefit costs under the waiver (if these are not applicable to the State's methodology, please attach the calculations).**

<i>Cost Saving Category</i>	<i>Costs Expected Without the Waiver</i>	<i>Projected Approximate Percentage of Cost Savings</i>	<i>Total Benefit Savings</i>
NEMT – Year 1	\$53,755,644	10%	\$5,386,824
NEMT – Year 2	\$59,774,115	12%	\$7,193,872
<i>TOTAL</i>	\$113,529,759	11%	\$12,580,697

2. *Costs Under the Waiver*

- a. Total waiver costs are expected to be \$109,017,586 during the 2-year waiver period. This includes \$108,142,934 in program benefit costs and \$874,652 in additional costs (management fees, administrative costs, bonus payments if any, etc.) which would not have been incurred had the waiver not been implemented.

3. *Additional Waiver Costs*

The following additional costs are expected to occur under the waiver:

- (a) Total additional administrative costs under the waiver, which would not be incurred if the waiver was not implemented, are expected to be \$874,652.

- (b) Additional administrative costs are broken down as follows and a brief explanation of each cost item is included on Appendix V. C. 3.(b):

(1) ____ Contract Administration \$874,652

(2) ____ Systems Modification \$

- (3) ____ Beneficiary Education, \$
Outreach conducted by State employees.
- (4) ____ Beneficiary Education, \$____
- (5) ____ Handling Complaints, \$____
Grievances and Appeals.
- (6) ____ Utilization Review \$
System
- (7) ____ Additional Staff \$
- (8) ____ Hotline Operation \$
- (9) ____ Quality Assurance \$
Review System
- (10) ____ Outreach, Education \$
and Enrollment of Waiver
Providers
- (11) ____ Other (explain) \$

4. Costs Without the Waiver

The State projected what the costs would be without the waiver by first calculating the costs during the fiscal years (1995-1997) prior to the waiver period. These base year cost data were then projected forward, adjusting for changes in utilization, characterization of affected beneficiaries, changes in payment rates or methodologies and changes in other State policies, to determine what costs would be without the waiver in effect during the proposed 2-year waiver period. The documentation to demonstrate what costs would be in the absence of the waiver is presented in **Exhibit 1**. This renewal caps the increase in the UPL at 9.45% for FY 2003 and FY 2004. This is the same as the 9.45% growth rate approved in the Initial Waiver Period.

5. Program Savings

The schedule below shows how savings were calculated under the waiver:

Year	Cost Reductions Expected Under the Waiver	Minus: Total Additional Waiver Costs	Program Savings
FY 2003	\$5,386,824	\$434,682	\$4,952,142
FY 2004	\$7,193,872	\$440,000	\$6,753,872
Total	\$12,580,696	\$874,652	\$11,706,044

EXHIBIT #1

Costs Without the Waiver (Refer to number V.C.4. above):

	<i>Eligibles</i>	<i>Total Eligible Months</i>	<i><Service></i>	<i><Service></i>	<i><Service></i>	<i>Total Costs</i>
	(1)	(2)	(3)	(4)	(5)	(6)
AFDC						
SSI						
OTHER						

Base Year:

	<i>Total Costs Projected of Service X, Y, Z, etc. (7)</i>	<i>Utilization Factor (10)</i>	<i>Pricing Factors (11)</i>	<i>Third Party Liability Factors (12)</i>	<i>Other Policy Factors Affecting Services X, Y, Z (13)</i>	<i>Total Costs of Services X, Y,Z (14)</i>
AFDC						
SSI						
OTHER						

Column Explanations for Exhibit 1

1. The MMIS indicated that this was the total number of AFDC and SSI eligible by age and sex in the previous year.
2. The total eligible months was derived from the State's Medicaid Management Information System (MMIS) for the previous fiscal year (19_) to the waiver period.
- 3., 4., 5.
The MMIS disclosed that the costs in Exhibit 1 were incurred by the State during the base-year period for providing all medical service categories to the total person eligible months noted in column (2).
6. This is the cost for all State plan major services to be covered under the waiver program, based on actual incurred costs for the base year.
7. Base year total costs were obtained from column (8).
8. New policies adopted by the State after the base year affected utilization rates as follows:
 - a. ___ Inpatient rates will decrease as a result of the implementation of a DRG-based prospective payment system and lower average lengths of stay;
 - b. ___ Outpatient hospital utilization will increase due to an expanded ambulatory surgery program;
 - c. ___ Other service utilization will increase due to increased primary care services; and,
 - d. ___ Other utilization will increase/decrease.
11. FFS price adjustments implemented by the State since the base-year period resulted in the following:
 - a. ___ Inpatient hospital service costs are expected to increase due to an increase in room and board rates.
 - b. ___ Outpatient hospital service cost are expected to increase based on the annual CPI adjusted inflation factor.
 - c. ___ All other service costs are expected to increase due to fee- schedule increases for primary care service.
 - d. ___ Other service costs are expected to increase/decrease.
12. During the base-year period, the State did not exclude TPL recoveries for FFS inpatient hospital service costs. Since the total amount of TPL recoveries was \$___, this represented

___ percent ($\frac{\$ \text{ recoveries}}{\$ \text{ total inpatient costs}}$) of total inpatient costs. Therefore, ___ percent is posted under column 12 for inpatient services and is a negative adjustment.

13. Other policy factors which affected the base-year period costs were as follows:

- a. ___ An increase in inpatient service costs will occur due to the implementation of a pre-admission review program for non-emergency inpatient admissions;
- b. ___ A decrease in outpatient service is expected to occur due to the elimination of physical therapy coverage;
- c. ___ A decrease in all other services is expected due to State elimination of AFDC subsidy for public transportation fares; and
- d. ___ An increase in clinic service costs was effective April 1, 1990, when section 6404 of the Omnibus Budget Reconciliation Act of 1989 and section 4704 of the Omnibus Budget Reconciliation Act of 1990 were implemented. This established a new clinic service for Federally Qualified Health Centers (FQHC). Reimbursement of FQHCs was increased to 100 percent of the reasonable costs of providing services to Medicaid beneficiaries. Community health centers and certain other Medicaid clinic providers were redesigned as FQHCs.
- e. ___ Additional increases/decreases should occur.

14. Total projected costs are determined by multiplying the base-year period costs (column 9) by the percentage-adjustment factors in columns 10, 11, 12, and 13.

Appendix I

Summary:

The Human Service Transportation Delivery (HSTD) Program, developed under the Empower Kentucky Project by Gov. Paul Patton, provides non-emergency, non-ambulance medical transportation services to eligible Medicaid, Vocational Rehabilitation and Department of the Blind recipients. In December 1998, the Centers for Medicare & Medicaid Services granted the Commonwealth of Kentucky a 1915(b)(4) Waiver. This waiver provides the

flexibility needed for the Commonwealth to implement efficient and cost-effective programs and to develop new or different approaches in the delivery of health care transportation services. The HSTD program combines the resources of public and private transportation providers in an efficient, cost effective and easily accessible transportation program throughout the Commonwealth of Kentucky.

The Department for Medicaid Services (DMS) contracted with The Kentucky Transportation Cabinet (KYTC) to manage the daily operation of the HSTD program. The Office of Transportation Delivery (OTD) within the KYTC answers complaints from recipients, subcontractors or regional brokers and resolves complaints in a timely manner.

Under the HSTD program, the Commonwealth is divided into 15 transportation regions. A regional broker approved by OTD is responsible for coordinating and providing transportation services for each region. Regional brokers provide transportation services to Medicaid recipients within their region by choosing to subcontract with additional providers.

Transportation types used in the HSTD program include commercial vendors, non-commercial group vendors, public transportation, private auto provides, specialty carriers serving the wheelchair bound and disoriented.

Usual service parameters relating to safety, access and non-discrimination is part of the contract. Neither the state nor the contracted provider will refuse a participant, or an assignment solely on the basis of age, sex, race, physical or mental handicap, national origin, or type of illness or condition. The state will continue to fully comply with all requirements for a formal appeals process.

Waiver Population-Other

The waiver covers all Medicaid eligible recipients (with the exception of QMB's). Accordingly, the category of "other" includes all Medicaid eligible individuals who are not AFDC, AFDC related, SSI and SSI related.

It is believed that this category consists entirely of the Medically Needy. If, however there are any individuals eligible for Medicaid in Kentucky (except for QMB) who are not adequately described as AFDC, AFDC related, SSI or SSI related, or Medically Needy, those groups are also covered.

Distance/Travel Times (Unchanged from current waiver)

- 1) Recipients shall be ready within fifteen (15) minutes before a scheduled trip.
- 2) Recipients will not be dropped off at a service destination more than sixty (60) minutes before a scheduled appointment.
- 3) When arranging multiple passenger transports, there is to be no more than sixty (60) minutes between the pick-up of the first and last recipient loaded on a vehicle going for the same or similar destinations. Delays longer than a sixty (60) minutes which are caused by extenuating circumstances must be documented.
- 4) Recipients will be picked up within sixty (60) minutes of the completion of an appointment.

Appendix III. A. 1

Recipient Notification Process (same as current waiver)

The recipient notification process is unchanged. The following is provided.

- 1) Verbal notification and explanation at time of application and reinvestigation.
- 2) A brochure explaining the program.
- 3) A toll free number to call for questions.
- 4) An informational fact sheet informing them of the provider name and telephone number(s), as well as procedures for obtaining transportation, filing complaints and appeals procedures and information for after-hours access. This information will be also available in local offices that provide eligibility determinations for Medicaid.

Appendix III. A. 3.(a)

One of the fifteen regions was not implemented until July 1, 2002. A losing bidder protested the initial award of the contract in 1999. Administrative and legal processes resulted in this unanticipated delay. This contract was terminated effective December 1, 2002 due to poor performance by the Regional Broker. This is our largest and most urban region, and it has proven to be a challenge to successfully implement. The contract for this region will be rebid immediately and should be up and running by the beginning of year 1 of the waiver renewal period.

Accommodations for Special Needs Persons (unchanged from current waiver)

- 1) Children under forty (40) pounds must be in a child safety seat.
- 2) A parent or guardian must accompany children under age twelve (12).

603 KAR 7:080. Human Service Transportation Delivery

Section 9. Vehicle Requirements. (1) The broker shall assure that all transportation providers maintain all vehicles and vehicle equipment adequately. Vehicles and all components shall comply with or exceed the manufacturers, state and federal, safety and mechanical operating and maintenance standards for the particular vehicles and models used. Vehicles shall comply with all applicable federal laws including the Americans With Disabilities Act of 1990 (ADA). Any vehicle found noncompliant with the Cabinet, Department of Vehicle Regulation's licensing requirements, operating authority requirements, safety standards, or requirements shall be removed from service immediately. All vehicles shall meet the following requirements:

- (a) The transportation provider shall provide and use a two (2)-way communication system linking all vehicles used in delivering the services. The two (2)-way communication system shall be used in a manner that facilitates communication and minimizes the time in which out-of-service vehicles can be replaced or repaired;
- (b) All vehicles shall be equipped with adequate heating and air conditioning for driver and passengers. Any vehicle with a nonfunctioning climate control system shall be placed out-of-service until appropriate corrective action is taken;
- (c) All vehicles shall have functioning, clean and accessible seat belts for each passenger seat position and belts shall be stored off the floor when not in use. Each vehicle shall utilize child safety seats when transporting children under age five (5). Each vehicle shall have at least two (2) seat belt extensions provided. Additionally, each vehicle shall be equipped with a seat belt cutter, mounted above the driver's door, for use in emergency situations;
- (d) All vehicles shall have a functioning speedometer and odometer;
- (e) All vehicles shall have a functioning interior lights within the passenger compartment;
- (f) All vehicles shall have adequate sidewall padding and ceiling covering;
- (g) All vehicles shall be smooth riding;
- (h) All vehicles shall have two (2) exterior rear view mirrors, one (1) on each side of the vehicle;

continued

(i) All vehicles shall be equipped with an interior mirror which shall be either clear-view laminated glass or clear-view glass bonded to the back which retains the glass in the event of breakage. This interior mirror shall be for monitoring the passenger compartment;

(j) The vehicle's interior and exterior shall be clean and have exteriors free of broken mirrors or windows;

(k) The vehicle shall have passenger compartments that are clean, free from torn upholstery or floor covering, damaged or broken seats, and protruding sharp edges and shall also be free of dirt, oil, grease or litter;

(l) The vehicle floor shall be covered with commercial anti-skid, ribbed rubber flooring or carpeting. Ribbing shall not interfere with wheelchair movement between the lift and the wheelchair positions;

(m) All vehicles shall have the transportation provider's name, vehicle number, and the program coordinator's customer service phone number prominently displayed within the interior of each vehicle. This information shall also be available in written form on each vehicle for distribution to riders on request;

(n) All vehicles shall have the following signs posted in all vehicle interiors, easily visible to the passengers:

1. "No Smoking, Eating or Drinking;" and
2. "All passengers shall use seat belts";

(o) All vehicles shall be equipped with a functional fire extinguisher and shall display a current inspection tag or sticker;

(p) All vehicles shall include a retractable step, or a step stool as approved by the cabinet to aid in passenger boarding. The step stool shall be used to minimize ground-to-first-step height, shall have four (4) legs with anti-skid tips, sturdy metal with nonskid tread, with a height of eight and one-fourth (8 1/4) inches, a width of fifteen (15) inches, and a depth of fourteen (14) inches or an equally suitable replacement. Under no circumstances shall a milk crate or similar substitute be considered a viable alternative for a step stool. Milk crates or similar substitutes shall not be permitted on any vehicle;

(q) All vehicles shall have on board three (3) portable triangular reflectors mounted on stands;

Appendix III. A.3.(b).
continued

(r) All vehicles shall include a vehicle information packet to be stored in the driver compartment, or securely stored on or in the driver's side visor. This packet shall include:

1. Vehicle registration;
2. Insurance card;
3. Bus or vehicle card; and
4. Accident procedures and forms;

(s) All vehicles shall be provided with a fully equipped first aid kit and a "spill kit" including: liquid spill absorbent, latex gloves, hazardous waste disposal bags, scrub brush, disinfectant and deodorizer; and

(t) Each vehicle shall contain maps with sufficient detail to locate recipients and destinations.

(2) Lift-equipped vehicle requirements. All vehicles used to transport wheelchair passengers, at a minimum, meet the following ADA requirements:

(a) A floor-to-ceiling height clearance of at least fifty-six (56) inches for vehicles up to twenty-two (22) feet and of at least sixty-eight (68) inches for vehicles above twenty-two (22) feet in the passenger compartment;

(b) An engine-wheelchair lift interlock system which requires the vehicle's transmission be placed in park and emergency brake engaged to prevent vehicle movement when the lift is deployed;

(c) A hydraulically or electromechanically powered wheelchair lift mounted so as not to impair the structural integrity of the vehicle that meets the following specifications:

1. Is capable of elevating and lowering a 600-pound load and shall not cause the outer edge of the lift to sag, or tilt downwards more than one (1) inch, nor shall the platform deflection be more than three (3) degrees under 600-pound load;
2. The lift platform is at least thirty (30) inches wide and forty-eight (48) inches long;
3. The lift platform shall not have a gap between the platform surface and the roll-off barrier greater than five-eighth (5/8) inch. When raised, the gap between the platform and the vehicle floor shall not exceed one-half (1/2) inch horizontally and five-eighth (5/8) inch vertically;
4. The lift controls shall be operable and accessible from inside and outside the vehicle, and shall be secure from accidental or unauthorized operation;
5. The lift shall be powered from the vehicle's electrical system. In the event of a power failure, the lift platform shall be able to be raised or lowered manually with passengers, and shall provide a method to slow free-fall in the event of power or component failure;

6. The lift operation shall be smooth without any jerking motion. Movement shall be less than or equal to six (6) inches per second during lift cycle and less than or equal to twelve (12) inches per second during stowage cycle;
7. When in storage in the passenger compartment, the lift platform shall not be capable of falling out of or into the vehicle, even if the power should fail;
8. The lift platform shall have a properly functioning, automatically engaged, anti-roll-off barrier, with a minimum of one and one-half (1 1/2) inch on the outbound end, to prevent ride over;
9. It is preferable but not required, that the platform, when in a stored position, not intrude into the body of the vehicle more than twelve (12) inches and be equipped with permanent vertical side plates to a height of at least two (2) inches above the platform surface;
10. The lift platform surface shall be a nonskid expanded metal, mesh or equivalent, to allow for vision through the platform;
11. The lift shall be furnished with reflector tape on each side except the side adjacent to the vehicle and on all step edges, thresholds and the boarding edge of lift platform; and
12. The lift platform on vehicles shall be equipped with a handrail on both sides of the lift platform for the purpose of loading or unloading ambulatory passengers. The handrail shall meet the following requirements: maximum height range thirty (30) inches to thirty-eight (38) inches; knuckle clearance handhold one and one-half (1 1/2) inch; shall be able to withstand force of 100 pounds; the handrail shall not reduce the lift platform width of at least thirty (30) inches; and shall be a ramp-equipped vehicle meeting ADA specifications.

(d) Wheelchair restraint system - for each wheelchair position, a wheelchair securement device (or tie down) shall be provided that shall:

1. Be placed as near to the accessible entrance as practical, providing clear floor area of thirty (30) inches by forty-eight (48) inches. Up to six (6) inches may be under another seat if there is nine (9) inches height clearance from floor. Vehicles in excess of twenty-two (22) feet shall have at least one (1) forward-facing position. Additional positions may be forward facing or rearward, if there is a padded barrier;
2. Be tested to meet a thirty (30) m.p.h./twenty (20) gm standard;
3. Securely restrain the wheelchair during transport from movement forward, backward, lateral and overturning movements in excess of two (2) inches;
4. Be adjustable to accommodate all wheel bases, tires (including pneumatic) and motorized wheelchairs;
5. Be a lock system, belt system or both and acceptable to the cabinet. If a belt system is used the cargo strap shall be retractable or stored on a mounted clasp or in a storage box when not in use. A track mounting lock system on the floor for wheelchair securement shall be flush with the floor so as not to be an obstruction or become a tripping hazard. In all cases, the straps shall be stored properly when not in use; and

Appendix III. A.3.(b).
continued

6. Provide seat belts or a shoulder harness that are attached to the floor or to the sidewall of the vehicle, which shall be capable of securing both the passenger and wheelchair.

(e) Wheelchair entrance door shall:

1. Maintain a minimum vertical clearance of fifty-six (56) inches for vehicles or less in length (sixty-eight (68) inches for vehicles over twenty-two (22) feet in length) and a minimum clear door opening of thirty (30) inches wide;
2. Have no lip or protrusion at the door threshold of more than one-half (1/2) inch; and
3. Be equipped with straps or locking devices to hold the door open when the lift is in use.

Appendix III. A.4

Listing of Educational Materials including initial Notification Letter (same as current waiver)

- 1) Initial notification letter.
- 2) Brochure
- 3) Informational data sheet.
- 4) Website information (<http://chs.state.ky.us/dms/services/transportation/default.htm>)

Appendix III.C. 1

Selection Criteria:

603 KAR 7:080. Human Service Transportation Delivery

Section 5. Transportation Broker Selection Process. (1) A request for proposal (RFP) and the process of awarding a brokerage contract for each region shall comply with KRS Chapter 45A. The RFP evaluation process shall, at a minimum, address areas that include the following:

(a) Overall quality in transportation delivery;

1. Administration:

- a. Human resources, including staffing and employee categories by classification, number, and experience;
- b. Insurance and risk management, types and levels of insurance coverage and emergency process, and training offered to reduce business risk;
- c. Billing and accounting practice and procedures; and
- d. Financial capability.

2. Operations:

- a. Scheduling and reservations;
- b. Fleet management;
- c. Dispatching and radio communications;
- d. Computer software and hardware;
- e. Reporting for both the broker and subcontractor; and
- f. Vehicle inspection or maintenance programs.

(b) Experience. In accordance with KRS 281.875(2) and (3), a person that submits a request for proposal to be a broker under the human service transportation delivery program shall be required to submit documentation that he or she has at least one (1) year experience working with persons with special needs. The cabinet shall be prohibited from awarding higher scores, or giving any type of preferential treatment to any person that submits a request for proposal to be a broker, who is also a transportation provider, over a person who submits a request to be a broker and is not a transportation provider;

(c) Ability to coordinate trips with:

1. Local community based governmental offices;
2. Training, educational or medical centers; and
3. Coordination with other transportation providers.

(d) Operational characteristics which include:

1. Locations of operations;
2. Infrastructure and other resources;
3. Storage of records;
4. Security and confidentiality of recipient and provider information;
5. Coverage of the delivery area hours, days, and operators availability; and
6. Education and training programs.

- (2) Contractual agreements between the Transportation Cabinet and brokers.
 - (a) Each contract between the cabinet and broker shall be for one (1) year with three (3) one (1) year options to renew.
 - (b) Contracts shall be on a fiscal year basis, running July 1 through June 30.

(3) Operating authority. Except for a volunteer provider, each transportation provider shall have operating authority issued by the Transportation Cabinet pursuant to KRS Chapter 281 or 96A.

(4) A contract between the cabinet and the broker shall be subject to revocation in accordance with KRS 281.879. Furthermore, the contract shall be subject to termination by the Commonwealth in accordance with 200 KAR 5:312.

Section 6. Transportation Broker. (1) A broker may coordinate the human service transportation delivery program with general public transportation as provided in KRS 281.877.

(2) The broker shall make reports to the cabinet on all traffic accidents and moving violations involving either a broker or subcontractor while transporting a human service transportation passenger.

(3)(a) The broker shall have all reports pertinent for payment to the cabinet not later than the seventh of each month following the reporting period.

(b) The cabinet shall reimburse the broker not later than the 15th of each month, if the broker has submitted the required reports.

(c) Brokers shall promptly reimburse subcontractors and Medicaid private auto providers within three (3) business days of being paid by the cabinet each month for each valid invoice trip documentation.

(d) A valid subcontractor or private auto provider invoice postdated after the first shall be included in the next month's billing.

(e) TANF private auto providers shall be paid before the service month.

(4) The broker shall have an established operating office located within the awarded delivery area.

(5) The broker shall employ an adequate staff to accommodate reservations, oversight of timely pickup and delivery, scheduling, accounting, complaint tracking, safety compliance and reporting to the cabinet.

(6) All brokers shall provide transportation services for recipients eligible under Section 3 of this administrative regulation.

Appendix III.C. 1

Section 7. Orientation Program. (1) All brokers shall provide an orientation program to each subcontractor and potential subcontractor. The program shall at a minimum include:

(a) How and when payment will be made;

(b) Rates;

- (c) Vehicle requirements;
- (d) Driver conduct;
- (e) Driver qualifications;
- (f) Reporting requirements;
- (g) Communication systems;
- (h) Pickup and delivery standards;
- (i) Training;
- (j) Drug and alcohol testing;
- (k) Safety;
- (l) Confidentiality;
- (m) Levels of transportation;
- (n) Escort and attendants;
- (o) Contract compliance;
- (p) Scheduling and availability and standard state transportation requirements; and
- (q) The role of the program coordinator as required by KRS 281.872.

(2) Orientation meetings between the broker and subcontractor shall be held before the subcontractor provides transportation services. Subsequent meetings may be held to clarify new policies and administrative regulations, or as directed by the cabinet.

Section 8. Subcontractors and Volunteers. (1) A subcontractor, who has signed a contract with a broker to provide human service transportation delivery within a specific delivery area, shall meet human service transportation delivery requirements, including proper operating authority by county or city.

(2) The subcontractor shall not enter into an agreement with a broker without the prior approval of the Transportation Cabinet. Each broker shall submit and request approval of the cabinet for each potential subcontractor. The subcontractor shall submit the following documentation to the broker:

- (a) A copy of the subcontractor's operating authority;
- (b) Proof of the subcontractor's vehicle liability insurance;
- (c) The draft of the broker and subcontractor's agreement;
- (d) A copy of all vehicle lease agreements; and
- (e) All contracts shall, at a minimum, include:
 - 1. Payment administration as required in KRS 281.875(1)(f);
 - 2. Hours of operations and other scheduling requirements;
 - 3. Rates for services;
 - 4. Pickup and delivery standards;
 - 5. Contract duration; and
 - 6. Termination clause and compliance penalty provisions.

Appendix III.C. 1

(3) Brokers and subcontractors shall ensure and provide documentation to the cabinet that all drivers during employment shall:

- (a) Be legally licensed by the Commonwealth of Kentucky to operate the transportation

- vehicle to which they are assigned;
- (b) Be courteous, patient and helpful;
- (c) Be at least eighteen (18) years of age;
- (d) Have no more than two (2) convictions for moving violations in the last three (3) years;
- (e) Have no prior convictions for a drug or alcohol-related offense in the last five (5) years, if a driver or attendant;
- (f) Have no convictions of any sexual crime or crime of violence;
- (g) Have a preemployment drug test; and
- (h) Receive orientation and safety training.

(4) Any person who has been convicted of a felony during the last five (5) years shall drive or attend passengers only after review and approval by the broker, subcontractor and the cabinet.

(5) Volunteer transportation providers shall have:

- (a) A valid driver's license;
- (b) Proof of insurance and registration; and
- (c) A vehicle which meets the safety needs of the recipient.

(6) The subcontractor and the private auto provider shall submit a valid invoice to the broker by the first of each month to allow for accounting, payment processing, and mailing time for payment to be paid within three (3) business days of payment received from the cabinet.

(7) A valid invoice postdated after the fifth day of the month shall be included in the next month's billing.

(8) Subcontractors and private auto providers shall submit all valid invoices within six (6) months of the date of service for reimbursement by the broker.

(9) A subcontractor shall report any moving violations or traffic accidents to the broker within thirty (30) days.

(10) A subcontractor shall not participate in determining recipient eligibility or type of transport.

Refer to special needs requirements Appendix III. A.3.(b).

Appendix IV. B

Grievance Process

Any recipient may lodge a complaint with the local offices making eligibility determination

for the Medicaid program. The recipient may follow the complaint with the request for an appeal of any action or inaction of the agency, including denial of services and such request may then lead to an appeal with due process as provided for in 42 CFR 431, Subpart E. The office of the ombudsmen may also receive grievances and act on the recipient's behalf to provide relief.

The Office of Transportation Delivery, Kentucky Transportation Cabinet, maintains a complaint tracking system, and monitors reporting of encounter data by the brokers.

Appendix IV. C.1

Plan for Monitoring and Improving Access (same as current waiver)

The Office of Transportation Delivery shall monitor using the following policies and

mechanisms.

- Implement and monitor contract compliance of each broker/provider to include:
 1. Ascertaining broker/provider(s) are meeting standard performance measures
 2. Conducting field/site contract compliance reviews/inspections
 3. Reviewing broker/provider annual audits
 4. Reviewing broker/provider credentialing and annual Disclosures of Ownership per 907 KAR 1:672
- Maintain a complaint tracking system
- Collect encounter and other pertinent Medicaid transportation data as specified by the Department for Medicaid Services (DMS); and
- Review monthly broker/provider invoices and make payments for services rendered; and
- Provide required program reports to DMS to include:
 1. Monthly data report to DMS
 2. Annual financial/data report to DMS
 3. Monthly summary of all grievances and complaints including reports of Fraud or Abuse
 4. Other reports as requested by the DMS

Appendix IV. C.2.e

Procedure of Monitoring-Other

Accordingly, an advisory committee to advise with regard to initial implementation is

inappropriate and unnecessary.

Additional monitoring processes are described I Appendix IV.C.1

Appendix IV.D

Monitoring Quality of Services

- Beneficiaries' reasons for changing providers:

- Hotline:

The Office of Transportation Delivery (OTD) will maintain a recipient and provider hotline and will forward all information to DMS Program Integrity unit on a monthly basis.

DMS maintains a member and provider services hotline for monitoring purposes. Utilization data will now be reported to and monitored by both DMS and the OTD.

- Periodic comparison:

OTD will perform monthly randomly select recipient surveys that will contain questions pertaining to access and quality of services.

Survey information will be analyzed, reported and recommendations forwarded to DMS.

- Complaints:

Reference Appendix IV. B

- Other:

Monthly meetings have been established between the OTD and DMS. The meetings provide a positive forum to discuss and analyze data reports, quality improvement issues and overall program performance.

Monthly Coordinated Transportation Advisory Committee (CTAC) meetings allow for a public forum for brokers, providers and recipients to address their concerns as a group or individually.

Appendix IV.E.

Other Quality Monitoring

Quality of service problems result in on-site reviews as necessary to resolve identified problems.

The Human Services Transportation delivery program continues to be a prepaid capitation waiver. Program rates for the initial waiver period were set at ninety-five percent (95%) of the Upper Payment Limit (UPL) as determined by the Actuarial Study submitted with this waiver as Exhibit 1. This resulted in a weighted average statewide capitated rate of \$5.30 per member per month for SFY 2000. The UPL for this renewal period continue to be based upon the original actuarial study with an inflationary adjustment and a second study finalized in April 2001. Therefore, the projected benefit cost reduction in this renewal request will continue to be at least five percent.

As described in the previous waiver renewal, an annual inflationary adjustment of 3.1% was made effective July 2001. This was based upon the budgeted inflationary growth rate allowed by state law in the aggregate Medicaid budget and is consistent with national inflationary indices used to set rates for “cost-based” Medicaid programs. Application of this inflation factor resulted in a \$5.46 statewide average rate for FY 2001. The UPL for that year would be projected at \$5.73 . This inflation factor represents a considerable reduction from the 9.45% historical growth rate projected in the actuarial study for the initial waiver period. However, with the success of the program in controlling over-utilization and efficiencies realized with coordination of trips, the growth of the program was reduced to a more manageable level.

Rate adjustments were made in 3 of the 16 regions during year 2 of the initial waiver due to the closure of a large Intermediate Care facility for the Mentally Retarded. The former patients of that facility were placed in the Medicaid agency's Home and Community-based 1915(c) waiver for the Mentally Retarded. This waiver includes daily transportation to waiver component services. The 3 regional brokers documented this increased cost and appropriate adjustments were made to their capitated rate. The increased community placement of individuals who are or would be institutionalized is an on-going trend and goal of the Kentucky Medicaid program. This is the primary example of changes in medical service delivery, which we needed to capture in our second actuarial study in order to set adequate capitation rates in the future.

A second actuarial study was conducted during FY2001 to adjust rates in year 2 of the current waiver. A bound copy of this report entitled, “Report on the Capitation Rates for the Human Service Transportation Delivery Program for the Commonwealth of Kentucky Transportation Cabinet”, is enclosed as Exhibit I-A. This report was prepared by Tichenor and Associates, LLP and their subcontractors to analyze existing rates under this program. This report concludes on page 10 that this program is growing at an annual rate of 14%. But would be growing at a rate of 22% absent this waiver. The cause of this increase is placed primarily on the recent rapid growth in transportation services under Kentucky's 1915(c) waivers for the Mentally Retarded; and Aged and Disabled populations. This includes community based MR services under the “Supports for Community Living” (SCL) waiver and Adult Day Care Services provided under our Home and Community-Based Care (HCBC) waiver. Kentucky, like most states, has seen rapid

growth in these programs due to the national emphasis on community based care as an alternative to institutionalization and the "Olmstead" Decision.

The Kentucky Governor's Office for Policy and Management (GOPM) reviewed the Tichenor report and concluded that some of the growth factors allowed by Tichenor's Report may have been overstated or duplicative. A series of three meetings were held between staff of GOPM, the Transportation Cabinet, the Medicaid Agency; and Tichenor and Associates to review the findings. These meetings resulted in an agreement by all parties to adjust the projected growth of the program downward based on necessary adjustments to Tichenor's original report. This work is enclosed as Exhibit I-B and represents a replacement for Attachment 8 contained in the enclosed "Tichenor" Report (Exhibit I-A).

The meetings described above also included discussion on how to accommodate the increased cost of transportation that results as Medicaid recipients enroll in the SCL and HCBC waivers. These discussions resulted in the formula included as Exhibit I-C that allows for growth in the Transportation capitation rates as certain thresholds of new waiver recipients are added to the program. It was only by utilizing this mechanism that the rate decrease adjustments made by GOPM and described in the previous paragraph could be made. These adjustments can be made quarterly resulting in an increase in the Average Statewide PMPM rates.

Please note that these documents do not address Region 6/7 of the program. These 2 regions have now been combined into one region (Region 6), but as of the date of these reports, we had not been able to acquire a transportation broker for that region who can meet the program's requirements. In Region 6, we have had two unsuccessful procurements and a third Request for Proposal was issued. The Region Financial and Rate data for this region was not included in the Tichenor Report or Exhibit I-C described above. Information regarding the Tichenor Report, GOPM adjustments to that report, and the SCL/HCBC Waiver adjustment mechanism was provided to Mr. Tom Couch of CMS in May of 2001.

Region 6 was operational from July to November 2002. At that point the contract was ended due to several issues, but primarily due to poor operational performance by the Broker and a failure to provide auditable financial data. Because the recent Tichenor study did not address Region 6 and a lack of financial data from the former broker, we have decided to include a Pricing Bid in the new Request for Proposal issued December 6, 2002. This would be the first time we have taken this step in any of our procurements. All previous procurements were bid with a set Price based on either the original Milliman and Roberts report or the Tichenor report as modified by the Governor's budget office.

Given the above information, the state is requesting to continue to use the original Milliman and Robertson Actuary report (Exhibit I) as the basis for our UPL (without waiver) growth calculation. This report shows an annual growth rate of 9.45%. Other reports and data enclosed have shown higher growth rates. The Tichenor Report (Exhibit I-A) determined

an annual growth rate without the waiver of 22%. Kentucky Medicaid fee-for-service payment data (Exhibit I-D) shows annual PMPM growth rates ranging from 13% to 29% prior to implementation of this waiver. We believe the 9.45% is the most reasonable and conservative estimate available. It was also the most detailed analysis of the NEMT program that has been done. Secondly, this growth rate is in line with the actual experience of the program (Exhibit I-E and I-D). This demonstrates that services can be provided within these financial constraints plus realize savings for the state. These estimates are displayed below:

UPL @ 9.45% Actual/Estimated

	<u>Annual</u> <u>Increase</u>	<u>Cap Rates</u> 1/
SFY 1999	\$5.03	\$4.78
SFY 2000	\$5.51	\$5.28
SFY 2001	\$6.03	\$5.46
SFY 2002	\$6.60	\$6.07
SFY 2003	\$7.22	\$6.49
SFY 2004	\$7.90	\$6.95

1/ SFY 2002 and beyond may increase due to the adjustments for ADC and SCL described in Exhibit I-C.

Appendix V. C. 3. (b)

During the 2000 Session of the Kentucky General Assembly, this program and its operation was codified in Kentucky Statutes. The brokerage system is administered through a contract with the Kentucky Transportation Cabinet, Office of Transportation Delivery (OTD). The Office of Transportation Delivery was established solely to administer the inter-agency coordinated transportation program of which this waiver is a major component. All additional administrative expenditures under this waiver are expended through this contract. OTD oversees the Broker procurement process, maintains a complaint tracking system, and monitors reporting of encounter data by the brokers. This office also serves as the liaison between the Medicaid Agency and the Brokers. In addition, a separate office of OTD serves an Ombudsman role in that all denials of a request for transportation must be reviewed by that office (effective July 2000) and an 800 line is maintained for Medicaid recipients to call with questions and complaints. Actual and estimated expenditures under this contract are as follows:

FY 1999 -	\$332,365
FY 2000 -	\$439,867
FY 2001 -	\$498,000
FY 2002 -	\$424,126
FY 2003 (est.)	\$434,652
FY 2004 (est.)	\$440,000

The FY2000 amount includes cost of the independent evaluation of the waiver.
The FY2001 includes cost of a new actuary study and new ombudsman/recipient complaint staff.

APPENDIX V. C.

	Average Monthly Eligibles	Annual Member Months	Capitated Rate/UPL	Total Benefit Cost	% of State Implemented	Savings/Cost
Year 1 with waiver	620,600	7,447,200	\$ 6.49	\$ 48,368,819		
Year 1 without waiver	620,600	7,447,200	\$ 7.22	\$ 53,755,644	100%	\$ 5,386,824
Year 2 with waiver	630,500	7,566,000	\$ 6.95	\$ 52,580,242		
Year 2 without waiver	630,500	7,566,000	\$ 7.90	\$ 59,774,115	100%	<u>\$ 7,193,872</u>
TOTAL SAVINGS						\$ 12,580,697
Additional Administrative Cost						
Year 1						\$ 434,652
Year 2						<u>\$ 440,000</u>
TOTAL ADDITIONAL COST						\$ 874,652
NET SAVINGS UNDER WAIVER						\$ 11,706,045